

CABINET ITEM COVERING SHEET PRO FORMA

AGENDA ITEM 9

REPORT TO CABINET

9 MARCH 2006

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/KEY DECISION

Housing - Lead Cabinet Member-Councillor Leonard

HOUSING CAPITAL PROGRAMME 2006/2007

1. Summary

To inform Members of the proposed Housing Capital Programme for the financial year 2006/07.

2. Recommendations

1. Members note the agreed Housing Capital Programme 2006/07 for works to council housing stock (delegated to Tristar Homes Board in the Management Agreement) and agree to the release of the required funding to Tristar of £19,297,000.
2. Members agree the remaining Housing Capital Programme for 2006/07 to the value of £11,928,500
3. Members agree the Stock Rationalisation Programme for 2006/07.
4. The Director of Development and Neighbourhood Services be authorised to approve the schemes and financial appraisals in consultation with the Cabinet Member for Housing.

3. Reason For Recommendations/Decisions

To ensure authorisation of spend against available resources and enable the early delivery of works on site.

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it

is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

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SUMMARY

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RECOMMENDATIONS

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DETAIL

INVESTMENT TO COUNCIL HOMES – WORKS DELEGATED TO TRISTAR

1. The management and maintenance of our Council housing stock is delegated to Tristar Homes Limited as part of our Arms Length Management Agreement; this includes undertaking Capital works. The decent standard works programme is being carried out over a 10-year period with an overall value of £163,215,000. We are now embarking on the 6th year of this programme and have made excellent progress in improving the council housing stock.
2. By March 2006 £92,858,838 will have been invested in council homes bringing 62.49% of properties up to the decent standard.
3. Funding for our decent standard works programme is met in part from the £63 million awarded as part of our ALMO bid. In addition funding for our Capital Programme is made up of capital receipts, major repairs allowance, and housing Single Housing Investment Programme allocations awarded by the Regional Housing Board. An exercise has been undertaken to determine investment

priorities for our Council Housing Stock between 2006 and 2010/11. Clearly decent standard works continues to be our main focus but additionally recent stock condition surveys have highlighted the need to invest in other urgent works such as lift replacement and structural repairs. These additional works amount to in excess of £7 million. On an annual basis the content of the programme varies dependent on the number of properties sold and on the individual property condition surveys. All the up to date information we have has been modeled into the forward programme and is reflected in the overall cost of the capital programme over the period up to 2010/11. Likewise we have remodeled the resources available based on the latest right to buy figures, actual Regional Housing Board allocations and so forth. The capital requirements and funding over the period to 2010/11 are as detailed in **appendix**.

4. Members should note that in order to ensure our investment priorities can be met work has been undertaken with Tristar to re examine the content of the decent standard works. There are currently works such as internal door replacement which are not we do not have to undertake to reach the ODPM's decent standard criteria but which we have historically undertaken. Agreement has been reached that this work will be omitted from the future programme to ensure savings.
5. Additionally we are mindful that tenants aspire to have replacement windows as part of improvement works but again it should be noted that window replacement is not automatically part of decent standard works as the judgement is about condition. It should be noted that to date windows to 3,276 properties have already been replaced (some 28.20% of the overall stock) but that the programme up to 2010/11 cannot sustain a full window replacement programme. However Tristar are to undertake a review of the current procurement process for decent standard and repair works as part of the development of a new procurement strategy and will be looking to determine efficiencies from this process which can be channeled back into the investment programme. Our aim is to develop a full window replacement programme as part of the investment works post 2010/11 and will advise members further on this at a later date.
6. Members should note that consideration has been given to making a revenue contribution to capital funding. Effectively this means taking any surpluses above the agreed 3% balance and using it to pay for capital works. Housing Revenue Account balances are affected by a number of factors including the number of properties sold under right to buy and available rental income. Tristar's performance of turning around vacant properties is increasing and through service improvement plan actions in this area Tristar are anticipating quicker turnaround times. We have modeled this improvement through the Housing Revenue Account Business Plan assumptions and this leaves us with some anticipated surpluses in each year. On this basis we have included in available resources a revenue contribution to capital of £1 million per year. Clearly there is some risk associated with this and the void performance will be closely monitored. Any changes to anticipated funding will be reported to Cabinet as part of the capital monitoring processes.
7. Tristar Board have considered the draft programme and recommend that Cabinet approve the programme for 2006/07 at a value of £19,297,000. Programme content is detailed in the following table:

Work Content	Value of Work £
Decent Standard Works	13,486,100
DS works slipped forward	342,800
Heating Replacement	1,847,100
Stock Rationalisation	1,698,400
Other works	1,900,100
Major Structural Defects	460,000
Minus an adjustment for properties currently scheduled which will be sold in year and wont require decent standard works	-437,500
Total	£19,297,000

RETAINED HOUSING CAPITAL PROGRAMME

8. The Retained Housing Service also manage an element of the Capital programme, namely Private Sector Grant Work, Disabled Facilities Grants (private sector housing) And Housing Regeneration. On an annual basis the authority have to provide funding to ensure work can be undertaken to meet the growing needs within these area.

Disabled Facilities Grants (DFG)'s

Based on a 'needs based' allocation formula (which consider the number at a LA level claiming Disabled Living Allowance and Attendance Allowance) an annual DFG budget is allocated to all local authorities by the ODPM. Our ODPM allocation for 2006/07 is £458,500 plus we have received an additional allocation which we bid for from the regional housing board of £226,000. This grant is topped up with capital receipts to give us an overall programme of £1,1225, an increase on last years programme of £226,000. The demand for DGF's has been growing steadily over recent years (reasons for this include a growing elderly population and a preference from those with disabilities/health problems to remain in their own homes and live independently). It should be noted that in addition to funding disabled facilities grants we have been working with partner Registered Social Landlords to provide new, fit for purpose housing to further relieve the pressure on the DFG budget.

Private Sector Housing Renewal (PSHR)

The Government is committed to improving housing conditions in the private sector and encourages Authorities to provide safety net assistance to households who are vulnerable or with children who do not have the financial means available (nor the equity in there property) to fund property improvements. Members have been previously advised of the move from grant to packages of financial assistance such as loans, equity release, matched funding etc in order to get additional value from this investment. The PSHR budget is proactively used to target long term empty properties and support ongoing housing market renewal activity within the Borough such as the facelift schemes in Parkfield.

Housing Regeneration

There are currently three major schemes in progress, namely Parkfield, Hardwick and Mandale. All of the schemes are designed to be self funding over the period of regeneration on the basis of capital receipts for the sale of land and regional housing allocations for housing market restructuring which ensure site assembly. However the timing of capital receipts is difficult to control as it depends on site assembly, development agreements and potential delays as a result of objections to Compulsory Purchase Orders. In determining funding for each of the regenerations schemes we are projecting when we believe we will receive specific capital receipts but there are risks attached. Members will be advised should there be changes to assumptions. If there are delays with capital receipts we will consider the use of alternative funding means to bridge the temporary gap.

The Capital Programme required for the retained housing service is therefore £11,928,500.

Capital Programme for 2006/7 is as follows:

	Cost
Delegated to Tristar Homes Ltd.	
Decent Standard - Works to Council houses	£13,048,600
- Heating	£1,847,100
Void Refurbishment	£460,000
Stock Rationalisation / demolition	£1,375,900
Melsonby Court	£693,800
Prior Court	£548,900
Kennedy Lifts	£657,400
Slippage 2005/2006 – Decent Standard	£342,800
- Stock Rationalisation	£322,500
	£19,297,000
Retained HRA	
Adaptations (council housing)	£900,000
HECA	£56,500
	£956,500
Housing General Fund	
Private Sector Renewal Grants	£935,000
Disabled Facilities Grants (private sector housing)	£1,126,000
Mandale regeneration (includes repurchased council houses)	£2,090,000
Hardwick regeneration (includes repurchased council houses)	£1,725,000
Market restructuring - Parkfield 1	£2,847,000
- Parkfield 2	£2,249,000
	£10,972,000
TOTAL	£31,225,500

Funded from: -

Regional Housing Board SCE (R) HRA	£1,210,000
Regional Housing Board Grants - HMRF	£1,375,000
- SHIP 2	£2,882,000
ODPM Grants - DFG	£458,500

Major Repairs Allowance	£14,070,600
Usable Capital Receipts - RTB	£4,414,400
- Regeneration	£5,815,000
Revenue Contribution	£1,000,000
Total	£31,225,500

FINANCIAL & LEGAL IMPLICATIONS

The financial implications are detailed within the main text of this report. Decent standard works to Council homes are carried out through the legally binding partnering arrangements. All other contracts are procured in line with the Council's procurement strategy.

RISK ANALYSIS

The housing capital programme is of significant value. The risk is managed via a series of working arrangements and protocols. These include reporting on progress to the Council's Capital Strategy Group and monthly progress meetings between SBC and Tristar. These arrangements enable us to have early identification of any issues around performance, spend and so forth.

COMMUNITY STRATEGY IMPLICATIONS

The Housing Capital Programme supports the Community Strategy objective to 'Improve the quality and condition of public and private sector housing'.

CONSULTATION INCLUDING WARD COUNCILLORS

Tristar Homes have both council and tenant representatives on the management board. Delegated responsibility lies with the company to consult with council tenants.

There is extensive consultation before, during & after capital works with tenants. Affected ward members have been contacted about the forward programme as part of the consultation.

The award of private sector grants will be made within the context of the Private Sector Housing Strategy, which was subject to extensive consultation with service users and elected members.

Corporate Director of Development and Neighbourhood Services.

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Environmental Implications.

Consideration when progressing the major strategic partnering agreement including the materials used, disposal of waste materials etc.

Community Safety Implications.

Works include security improvements as part of the doors and window replacement programme.

Background Papers.

ODPM Guidance on the `decent standard` for Council Homes.
Housing Investment Programme Bid
Previous reports to Cabinet on stock options and the establishment of the ALMO.
ALMO bid, Section 27 agreement, Management Agreement and Delivery Plan

Education Related Item?

NO

Ward(s) and Ward Councillors:

ALL

APPENDIX

TRISTAR HOMES LIMITED								
YEAR	DS	BCM 2005/06				Non DS RTB Adjustment	TOTAL	Funding
		Heating	SRP	Other	Capital/ MSD Void			
2006.07	13,828,992	1,847,117	1,698,335	1,900,103	460,000	-437,550	19,296,997	19,296,997
2007.08	7,631,573	2,546,344	1,597,683	427,435	430,000	-290,971	12,342,064	12,342,064
2008.09	7,249,803	3,232,749	1,418,416	939,798	420,000	-209,040	13,051,725	12,874,725
2009.10	5,477,133	2,669,566	793,023	1,571,784	400,000	-236,375	10,675,132	10,675,132
2010.11	7,498,215	1,038,784	1,029,609	2,212,124	390,000	-319,107	11,849,625	11,800,625
							0	
	41,685,716	11,334,560	6,537,066	7,051,244	2,100,000	-1,493,043	67,215,543	66,989,543